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DEPARTMENT OF STATE

Washington, D.C. 20520

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MEMORANDUM FOR THE CHAIRMAN, NSC SENIOR REVIEW GROUP

SUBJECT: NSSM 124: Next Steps Toward the People's
Republic of China (PRC)

I herewith transmit a study in response to
NSSM 124 and a proposed issues paper for possible
use by the Senior Review Group in its consideration
of the study.

The study has been approved by the NSC
Interdepartmental Group for East Asia and the
Pacific.

Winthrop G. Brown
Winthrop G. Brown
Acting Chairman
NSC Interdepartmental Group
for East Asia and the Pacific

Enclosure:
As stated.

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Declassified/Released on 7/26/96
under provisions of E.O. 12358
by J. Saunders, National Security Council

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NSSM 124

Next Steps Toward the People's Republic
of China (PRC)

Issues Paper

As part of the Administration's evolving policy toward China and in light of recent developments in US-PRC relations, the President has asked for recommendations on possible new initiatives.

Following is a summary of the options we have identified in NSSM 124 and the choices and issues which they present.

The Range of Alternatives

We have arranged the possible next steps into three groups (Tab A).

Group I includes a collection of relatively modest steps which could be implemented without great difficulty at any time and which would not require negotiations or official contact with the PRC. Examples are permission for U.S. flag ships to call at Chinese ports and the reduction of close-in intelligence and reconnaissance flights.

Group II would involve governmental contacts and would contain greater inducements for the PRC to respond to our overtures. Examples are an offer to establish a Washington-Peking hotline and the reduction of U.S. forces on Taiwan consonant with the withdrawal of U.S. forces from Viet-Nam.

Group III would involve significant changes in the U.S. policy on the Taiwan issue and would deal with matters which are basic obstacles to an improvement

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in US-PRC relations. Possible initiatives include
(a) some form of official U.S. presence in Peking;
(b) an indication of U.S. willingness to regard
Taiwan as part of China; (c) removal of U.S. forces
from the Taiwan area, contingent for example upon
an assurance that Peking would not provoke a crisis
in the Taiwan Straits area.

The options in the three groups involve progressively greater problems in our relations with the GRC and the Soviet Union. Thus, an important consideration is the effect on our interests in relation to the GRC and, possibly, the Soviet Union.

Issues

The first issue to decide is whether and how soon we should proceed with additional steps after the trade lists are announced.

If the decision is to move ahead, the basic issue is whether we should at this time limit ourselves to rather modest steps (Group I), to test the PRC's willingness to move toward better relations in the absence of significant change in the U.S. policy on the Taiwan issue; or whether we should directly proceed to more important initiatives (drawn from Group II and, perhaps, Group III) in order to persuade Peking to commence dealing with the major problems which must be solved before there can be any basic and lasting accord between us.

Other issues are the mix of public offers and private initiatives to be selected, the choice between possible initiatives on the Taiwan issue, and the timing of our moves, particularly in relation to Chirep.

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U.S. Objectives and Tactics

Our longer-term objective should be to draw the PRC into a serious discussion of the problems involved not only in our bilateral relationship but also in a more general relaxation of tensions in East Asia. Early results would not be anticipated, but over time the PRC might well feel that such a dialogue would be in its own interest, given its continuing difficulties with the Soviet Union and its fears of Japan's expanding strength and influence.

To deal with the fundamental questions requires relationships at an official level. Thus, while we welcome an expansion of unofficial contacts, our objective should be to move US-PRC contacts onto a governmental plane as rapidly as possible. Early contacts at a governmental level, if attainable without crucial concessions on the Taiwan issue, would strengthen the Administration's position domestically and internationally, and provide the opportunity to commence a dialogue on the fundamental problems. Official contacts would also undercut expected PRC efforts to put pressure on the Administration through "people's diplomacy", including invitations to prominent Americans of its own choice.

On our side, we must pursue our objectives with full regard to (a) our alliance with Japan which remains our foremost national interest in Asia; and (b) the fact that Japan's role will be critical in any long-term process leading to a relaxation of tensions in the region. We should concert our moves with Japan through close and frequent consultations.

PRC Objectives and Tactics

Peking's recent moves are strongly influenced by a short-term tactical consideration -- to secure

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the GRC's expulsion from the UN -- but its leaders must also be mindful of the changing strategic relations in Asia. While Peking may continue gradually to broaden contacts with the U.S. public (and, possibly, the Congress) we doubt whether it will move very far toward governmental contacts unless given some signal of U.S. flexibility on the Taiwan issue. Peking's spokesmen recently have re-emphasized that Taiwan remains the fundamental issue -- which, in its eyes, encompasses not only Taiwan's international legal status but also the U.S. political involvement with the GRC, the U.S. military presence on and use of the island, and even the willingness of the United States to discuss this issue bilaterally.

Despite the professed willingness of Peking's leaders to "wait twenty years for Taiwan", time is not necessarily in Peking's favor on the issue of Taiwan's eventual status. The drift of events, notably Taiwan's progressively greater viability, increases the possibility of a one China/one Taiwan solution. These considerations must be evident to the PRC also, and Peking may fear that unless it succeeds in obtaining a change of U.S. policy Japan and the United States will ultimately join in ratifying (and defending) this solution.

At this point, therefore, Peking's choices vis-a-vis the United States are:

-- To limit PRC contacts to the U.S. public and the Congress, in an attempt to pressure the Administration through "people's diplomacy" to modify U.S. policy toward the GRC and Taiwan; or

-- In addition to renew and progressively broaden contacts at the governmental level, begin a dialogue with us, gain leverage against the Soviets and, by fueling Japan's China policy debate, put pressure on Sato.

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U.S. Policy and the GRC

The options presented in this paper would not, we believe, jeopardize our basic objectives with regard to the Republic of China on Taiwan -- ensuring its security from external attack, preserving necessary military access, and maintaining our general policy of recognition and diplomatic support. Those in Groups II and III would place progressively greater strain on working relations with the GRC but we cannot conceive that Taipei would break relations with us. Some of those in Group III might weaken our ability to retain support domestically and internationally for our continued security commitment to, and close relations with, the GRC.

The IG/EA's study in response to NSSM 124 is attached (Tab B).

Attachments:

Tab A: Summary of New Steps
Tab B: NSSM 124 Study

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